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FM AMEMBASSY KUWAIT
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C O N F I D E N T I A L KUWAIT 003294

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TAGS: PREL ECON EPET KU KUWAIT IRAO RELATIONS

SUBJECT: IRAQ'S FUEL SHORTAGES: KUWAIT SAYS IT'S HONORING ALL AGREEMENTS, NOTES CONCERN ABOUT CORRUPTION

REF: A. BAGHDAD 2933
1B. KUWAIT 3275
1C. KUWAIT 2776

Classified By: Ambassador Richard LeBaron for reasons 1.4(b) and (d)

¶1. (C/NF) The Ambassador used the occasion of a previously scheduled meeting with Kuwaiti Deputy Prime Minister and Foreign Minister Shaykh Dr. Mohammed Al-Sabah Al-Salem Al-Sabah to raise the growing fuel shortage in Iraq and encourage the GOK to provide all possible assistance.

Responding to the FM's comments about deteriorating security conditions (more in septel), he stressed the importance of a reliable fuel supply in promoting security and stability in Iraq. The FM noted a slight early summer interruption in fuel supplies to Iraq due to technical problems, but asserted that Kuwait was honoring all of its fuel contracts with Iraq.

He seemed a bit surprised by the severity of the problem and said that PM Al-Maliki did not/not raise the issue with the Amir during his July visit to Kuwait (ref C).

¶2. (C/NF) The FM also commented on reported smuggling and corruption in the Iraqi oil sector. Citing a recent World Bank report, he said corruption in Iraq was pervasive at all levels of government and wondered how much fuel was being siphoned off for other purposes. He said the GOI needed to immediately address corruption so that donors would have confidence that fuel and monetary grants were not being "hijacked." The Ambassador encouraged the GOK to raise the corruption issue and need for transparency with the GOI directly.

¶3. (C/NF) Comment: During the meeting, the FM clearly outlined his concerns about security in Iraq (septel) and showed he appreciates the relationship between a steady fuel supply and stability. Nonetheless, corruption, transparency, and the GOK's view that Maliki's government lacks a solid plan undermine its current willingness to increase assistance levels. A direct GOI approach to the GOK, with the degree of detail provided ref A, would likely result in increased short-term assistance. Such an approach would have to be made immediately, however, as the Amir and other senior officials depart August 21 for a month of official and personal travel. End comment.

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LeBaron